

VZCZCXRO7889
PP RUEHROV
DE RUEHTV #3487 3441454
ZNY CCCCC ZZH
P 101454Z DEC 07
FM AMEMBASSY TEL AVIV
TO RUEHC/SECSTATE WASHDC PRIORITY 4524
INFO RUEHKK/ARAB ISRAELI COLLECTIVE PRIORITY
RUEHROV/AMEMBASSY VATICAN PRIORITY
RHEHNSC/NSC WASHDC PRIORITY

C O N F I D E N T I A L TEL AVIV 003487

SIPDIS

SIPDIS

E.O. 12958: DECL: 12/02/1017
TAGS: [PREL](#) [PGOV](#) [KIRF](#) [VT](#) [IS](#)
SUBJECT: GOI PREPARING FOR DECEMBER 12-13 TALKS WITH
VATICAN, EXPECTS RESPONSE ON TAXATION PROPOSAL

REF: A. TEL AVIV 2800 (AND PREVIOUS), B. VATICAN 183

(AND PREVIOUS), C. JERUSALEM 1491 (AND PREVIOUS)

Classified by Ambassador Richard H. Jones for reason
1.4 (b) and (d).

11. (C) (Note comment para 4.) MFA Director for Inter-Religious Affairs Bahij Mansour told Poloff December 3 that the GOI hopes to make significant progress during the next round of talks (December 12-13) with the Vatican over outstanding issues related to the Fundamental Agreement. The talks are scheduled to start at the working level on December 12, and conclude at the principals' level the following day. MFA DG Aharon Abramovich will lead the Israeli delegation on the second day. Mansour said he expected the talks to focus exclusively on the outstanding taxation issues; the issues of state compensation for confiscated property and Church access to Israeli courts are not on the agenda.

12. (C) Mansour said the GOI is expecting a Vatican response to two proposals made during the last (November 7) negotiating session. Under these proposals, Vatican institutions would be treated like other not-for-profits in the taxation category of "Most Favored Organization" (Ref A). Additionally, the "arnona" tax (Israeli property tax collected by local authorities) would only apply in cases where Church institutions were making profits on local businesses. He cited the Latrun Winery, operated by a Trappist Monastery, as an example of the kind of Church operation that would still be subject to arnona taxation under the new proposal. Mansour thought that if the Vatican accepted the proposals, "the taxation issue could be wrapped up in a day."

13. (C) In a meeting with DG Abramovich December 6, the Ambassador reiterated U.S. interest in the GOI-Vatican negotiations, and urged the GOI to negotiate in good faith and to make a sincere effort to conclude the 13 year-old talks in a timely manner. Abramovich assured the Ambassador that was his intention and expressed irritation at recent public statements by Nuncios Franco and Sambri (see below). He wondered if the Vatican wasn't attempting to play a double game -- praising GOI efforts in private while excoriating them in public via unofficial "personal" comments.

Comment: Time to Mend Fences and
Push for the Finish Line

14. (C) While we agree with Ref. B assessment that GOI-Vatican relations are suffering under the weight of

the seemingly unending negotiations, we also believe the atmosphere has been tainted by acrimonious relationships among working level negotiators on both sides. The MFA's point person for the talks, Bahij Mansour, can be difficult to deal with and does not often communicate clearly, while the Vatican's lead negotiator, Fr. David Jaeger, has developed a reputation in GOI circles as impatient and undiplomatic. (Mansour criticized what he described as Jaeger's "unhelpful and overly critical" comments during recent talks with USG officials in Washington.) Moreover, as a former Jew who was born in Israel and who later converted to Catholicism, Jaeger is suspected in Israel -- where conversion is largely taboo -- of having an ax to grind against the state of his birth. GOI-Vatican relations are also being strained by the GOI's recent decision to limit visas for Arab Christian clergy operating in the West Bank and Israel, and the Holy See's new readiness to allow public criticism of Israel by senior officials such as the Papal Nuncio to Israel Antonio Franco and his predecessor Pietro Sambi (now the Nuncio in Washington). In order to overcome these stresses and to head off a deterioration in bilateral relations -- with the consequences that could entail for interfaith relations -- we think it will be necessary for both sides to make a deliberate, high-level determination to put grievances, and to a certain extent principles, aside and push the negotiations through to a timely conclusion.

JONES